

***Farm Bill Section 9006 – 7CFR 4280-Subpart B***

# Renewable Energy and Energy Efficiency Guaranteed Loan and Grant Program

# Purpose



- Purchase renewable energy systems  
*(A process that produces energy)*
- Improvements to a facility or process that **reduce** energy consumption

# Section 9006

- The Renewable Energy and Energy Efficiency Program, through USDA-Rural Development, offers **grants, guaranteed loans, and combination grant/guaranteed loans** to help **agricultural producers** and **rural small businesses** purchase and install renewable energy systems and make energy efficiency improvements in rural areas. Helpful information regarding the Section 9006 program can be found at:  
<http://www.rurdev.usda.gov/rbs/farmbill/> - click on **Energy** program.

# Who is eligible?



- An **agricultural producer** (individual or entity) directly engaged in the production of agricultural products and obtains at least 50% or greater of their gross income from their agriculture business.

# Who is eligible?



- A **rural small business** – an entity is considered a small business in accordance with SBA's (Small Business Administration) small business size standards (by NAICS codes). SBA small size standards can be found at <http://www.sba.gov/size/index.html>

# What projects are eligible?

- The project must be for the purchase of a renewable energy system or energy efficiency improvement.
- Pre-commercial or commercially available and replicable technology.
- Technically feasible
- Located in a rural area
- Applicant must be owner of the system
- Adequate revenues for O&M

# Technologies eligible under 4280-B

	Renewable Energy Projects	Energy Efficiency Improvements Projects
<b>Categories of projects</b> <i>(The project must be located in a rural area.)</i>	Biomass, Anaerobic Digester, Geothermal – electric generation, Geothermal – direct use, Hydrogen, Small and Large Wind, Small and Large Solar	Energy Efficiency Improvements verified by an energy audit or assessment

# Eligible Project Costs

- Post application purchase & installation of equipment, except agricultural tillage equipment and vehicles.
- Post application construction or project improvements, except residential.
- Energy audits or assessments
- Permit fees
- Professional service fees, except for application preparation
- Feasibility studies
- Business plans
- Retrofitting
- Construction of a new facility same purpose, same size, provides more energy savings than improving an existing facility
- Working Capital – Guaranteed Loan Only
- Land Acquisition – Guaranteed Loan Only.
- **Combination Grant and Guaranteed Loan.** Only the guaranteed portion can be used for working capital or land acquisition.



# Financing

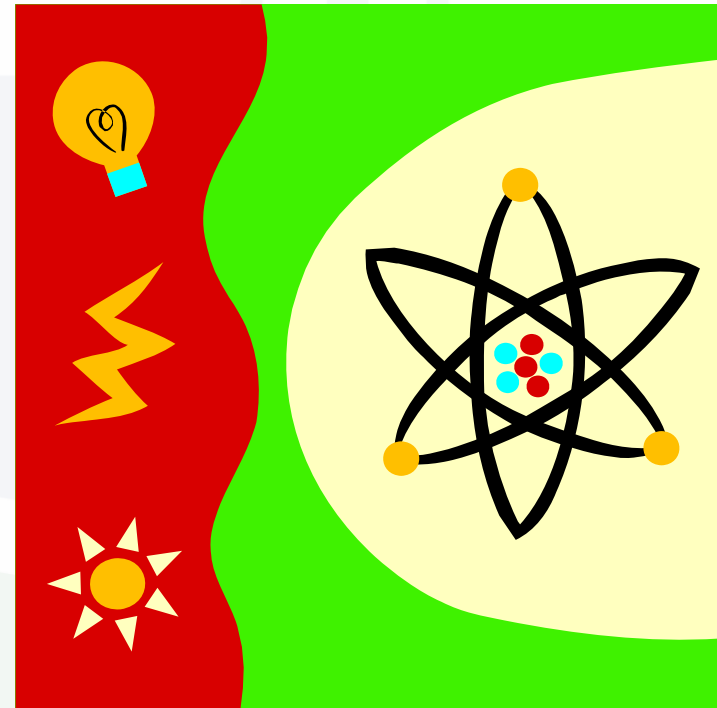
- RD grant – 25% of total eligible costs
- RD guaranteed loan – 50% of total eligible costs
- Combo RD grant & guaranteed loan – 50% of total eligible costs (grant not to exceed 25%)
- Other energy programs (i.e. Energy Credits, State of Michigan, etc.)
- Local Bank
- Personal cash reserves

# How much assistance can RD provide?

	Renewable Energy Projects	Energy Efficiency Improvements Projects
<b>Description</b>	A system that produces, or produces and delivers, usable energy from a renewable energy source.	Improvements to a facility, building, or process that reduces energy consumption
<b>Minimum grant</b> <i>(no more than 25% of total eligible project costs)</i>	\$ 2,500	\$ 1,500
<b>Maximum grant</b> <i>(no more than 25% of total eligible project costs)</i>	\$ 500,000	\$ 250,000
Maximum grant per applicant per fiscal year		\$ 750,000
<b>Minimum guaranteed loan</b> <i>(no more than 50% of total eligible project costs)</i>	\$ 5,000	\$ 5,000
<b>Maximum guaranteed loan</b> <i>(no more than 50% of total eligible project costs)</i>	\$ 10,000,000	\$ 10,000,000
<b>Minimum grant portion of the combined</b> funding request	\$ 1,500	\$ 1,500
Maximum combination grant/guaranteed loan <i>(no more than 50% of total eligible project costs)</i> <b>\$ 10,000,000</b>		

# Your Energy Project

- Planning
- Application Process
- RD Assistance
- Utilize tools provided by RD
- Submission of information to RD
- What happens after you hand in the information?



# Planning your Energy project

## Who will be on your project team?

- **Renewable Energy**

- system designer
- equipment supplier
- construction contractor or system installer
- project engineer
- project manager
- system operator and maintainer

One individual or entity may serve more than one role.

- **Energy Efficiency**

- energy auditor (for ex: REC or utility co)
- equipment supplier
- construction contractor or system installer
- project engineer
- project manager

One individual or entity may serve more than one role.

# Professional Requirements of the Application

	<b>Renewable Energy Projects</b>	<b>Energy Efficiency Improvements Projects</b>
<b>Services of a Professional Engineer required?</b>	Projects with total eligible costs > \$400,000	Projects with total eligible costs > \$200,000
<b>Energy audit or energy assessment required?</b>	<b>NO</b>	Required for all energy efficiency projects. Projects with total eligible costs >\$50,000 require an energy audit.
<b>Business Level Feasibility study required?</b>	Projects with total eligible costs > \$200,000	<b>NO</b>
<b>Technical Report Required?</b>	<b>YES</b>	<b>YES</b>

# Rural Development Application

- Projects with Total Eligible Project costs < \$200,00 follow Simplified Application Process.
- Projects with Total Eligible Project costs > \$200,000 follow Regular Application Process.

# Application Components

- |      |                              |       |                              |
|------|------------------------------|-------|------------------------------|
| I.   | Title Page                   | VII.  | Financial Information        |
| II.  | Table of Contents            | VIII. | Matching Funds Documentation |
| III. | Project Specific Forms       | IX.   | Self Evaluation Score        |
| IV.  | Certifications               | X.    | Energy Audit/Assessment (EE) |
| V.   | Legal Organization Documents | XI.   | Technical Report             |
| VI.  | Project Summary              | XII.  | Feasibility Study (RES)      |

## Table of Contents

### Forms, Certifications and Agreements

#### *Project specific forms:*

SF-424	Application for Federal Assistance	1
SF-424C	Budget Information - Construction Programs	2

SF-424D	Assurances – Construction Programs	3
RD 1940-20	Request for Environmental Information	5

#### *Certifications:*

AD-1049	Certification Regarding Drug Free Workplace Requirements (Grants) Alternative 1 –For Grantees Other Than Individuals	6
AD-1048	Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion—Lower Tiered Covered Transactions	7
AD-1047	Certification Regarding Debarment, Suspension, and Other Responsibility Matters—Primary Covered Transactions	8
Form 400-1	Equal Opportunity Agreement	9
Form 400-4	Assurance Agreement	11

### **Project Summary**

Title	12
Applicant Eligibility	12
Project Eligibility	12
Operation Description	12
Financial Information for Size Determination	12

#### *Supporting Documentation:*

Guide 5	Applicant Eligibility Certifications	13
	Tax Form 1040, page 1	14
	Tax Form 1040 Schedule F	15

### **Matching Funds Documentation**

#### **Self-Evaluation Score**

#### *Supporting Documentation:*

Energy Profile	21
Environmental Goals Letter	22
Funding Commitment Letter	23

### **Renewable Energy Technical Report**

#### *Attachments:*

Site map	28
One-line diagram	29
Annual average wind speed	30
Estimated annual energy output	31
Intent to purchase power agreement	32

### **Qualification for Simplified Applications**

Guide 6	Certification Regarding Qualification for Simplified Grant Applications	33
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## Table of Contents

(Title of the Project) \_\_\_\_\_

**(2) 4280.111(b)(2) A detailed table of contents in the order presented below with clear pagination and chapter identification.**  
 The table of contents will include page numbers for each component of the proposal.  
 Begin pagination immediately following the Table of Contents.

	Application Components	Tab
I.	Title Page	
II.	Table of Contents	
III.	Project specific forms A. SF 424 - Application B. SF 424 C – Budget C. SF 424 D – Assurances D. 1940-20 "Request for Environmental Information" and attachments	A
IV.	Certifications A. AD 1049 B. AD 1048 C. Exh. A-1, 1940-Q – only required for grants requests exceeding \$100,000 D. Form SF-LLL E. AD 1047 F. 400-1 G. 400-4 H. A certification indicating whether or not there is a known relationship or association with an Agency (Rural Development) employee. I. A certification that the applicant meets the definition of demonstrated financial need.	B
V.	Legal organizational documents (including any contracts with investors)	C
VI.	Project Summary A. Title of Project B. Applicant eligibility C. Project Eligibility D. Operation Description E. Financial Information for Size Determination	D
VII.	Financial Information A. 3 yr. historical income statement, balance sheet, and cash flow B. Current year income statement, balance sheet, and cash flow C. 3 years pro forma income statement, balance sheet, and cash flow D. Demonstrated financial need	E
VIII.	Matching Funds Documentation	F
IX.	Self Evaluation Score Documentation is tabbed to match the scoring criteria numbering.	G
X.	Energy Audit (if project is an energy efficiency project)	H
XI.	Technical Report	I
XII.	Feasibility Study (if project is a renewable energy project)	J

## Version 7/03

Previous Edition Usable  
Authorized for Local Reproduction

Standard Form 424 (Rev.9-2003)  
Prescribed by OMB Circular A-102

Reset Form



Committed to the future of rural communities.

**March 8, 2007**

**PAUL TAIT  
SOUTHEAST MICHIGAN COUNCIL OF GOVERNMENTS  
535 GRISWOLD STREET  
SUITE 300  
DETROIT MI 48226**

**RE: (Applicants Name)  
(Project Name or Description)**

**Dear Sirs:**

**We are requesting a State Clearinghouse Review of the enclosed SF 424 pre-application and narrative for the above project.**

**(We or I) (are or am) seeking funds for this project through USDA, Rural Development's Renewable Energy and Energy Efficiency Grant Program.**

**If you have any questions, please contact (Your name and contact information here)**

**Sincerely,**

**(Name)  
(Title)**

**Enclosure**



Committed to the future of rural communities.

Applicant Name  
Matching Funds Documentation Spreadsheet  
Title of Project  
Total Cost \$ \_\_\_\_\_

	Source of Funds	Contact Name	Contact Phone & Fax	Contact Address	Dollars	Status of Funds	Attachments to verify status?
1	Section 9006 Grant	Area Office Specialist	Area Office Phone & Fax	Area Office Address	\$	Pending Award of grant	No
2	Applicant funds	Applicant Name	Applicant Business Phone & Fax	Applicant Address	\$	Committed	Applicant letter of commitment or bank statement
3					\$		
4					\$		
5					\$		
6					\$		
7					\$		
				Total Project Cost	\$	(Should match total project cost on SF 424C located behind Tab A)	

# Self Evaluation Score

1. Quantity of Energy Replaced, Produced, or Saved
2. Environmental
3. Commercial Availability
4. Technical Merit
5. Readiness
6. Small Agriculture Producer/Very Small Business
7. Simplified Application
8. Previous Grantees and Borrowers
9. Return on Investment
10. Loan Rate



# Self Evaluation Score - Suggestions

1. Quantity of Energy Replaced Produced, or Saved
  1. Show Calculations
  2. Calculations should be in mbtu, kWh, or gallons, Not Just Dollars Saved.
  3. Have supporting documentation. (Exp. Energy Assessment or Audit, etc.)
  4. If your project replaces more than 150% of Energy requirements, the project will be Scored as Energy Generation.

# Self Evaluation Score - Suggestions

## 2. Environmental Benefits

1. Need Letter of Support (Federal, State, or Local Authority) Exp.: State Energy Office
2. Your letter must state the following three criteria:
  1. Must Mention Applicant's Name and Project
  2. Must Mention Section 9006 Renewable Energy and Energy Efficiency Program.
  3. Must mention how the project will contribute to Specific Goal

# Self Evaluation Score - Suggestions

## 3. Commercial Availability

1. Project Must Be Commercial or Pre-Commercial (At least One Full Year of Operation in the U.S.)
2. Include a Copy of Warranty Information.

## 4. Technical Merit

1. Most Important Part of Application (30% of overall score). NREL evaluates this section.



# Self Evaluation Score - Suggestions

## 5. Readiness (Grants Only)

1. Written Commitment Letter (Not a Letter of Intent)

## 6. Small AG Producer/Very Small Business

1. Only Pertinent if Farm or Business is Grossing Less than \$1 Million
2. Ag Producer has Option to apply as Small Business

## 7. Simplified Application

1. Only applies if Total Project is \$200,000 or less.

# Self Evaluation Score - Suggestions

## 8. Previous Grantees

1. Points awarded for applicants who have not received 9006 funding in the past.

## 9. Return on Investment

### 1. Simple Payback – Two Thresholds

1. Projects under \$1.2 Million
  1. Total Eligible Project Cost/\$Value of Energy Produced
2. Projects above \$1.2 Million
  1. Total Eligible Project cost/Average Income.

# Components of the Technical Report



1. Qualifications of the project team
2. Agreements and Permits
3. Resource Assessment
4. Design and Engineering
5. Project Development Schedule
6. Financial Feasibility
7. Equipment Procurement
8. Equipment Installation
9. Operation and Maintenance
10. Decommissioning

# Do you need assistance preparing your application?

- ✓ Financial information (Banker, Accountant, SBDC)
- ✓ Technical report
- ✓ Review the application for completeness (RD Specialists, SBDC)
  - o *Environmental – contact our office after you know what you want to do and where it will be.*

# Utilize tools provided by RD

- Review Checklist  
Be sure to submit all the information requested for the application.
- Score Sheet  
Score your application and attach supporting documentation.

## Technical report guidelines

[www.rurdev.usda.gov/rbs/farmbill/technical.htm](http://www.rurdev.usda.gov/rbs/farmbill/technical.htm)

Be sure to follow the format described.

# Guaranteed Loan Program

- Guaranteed loan program was implemented in FY 2005
- Additional eligible costs allowed for Working Capital and Land Acquisition (guaranteed loans only)
- \$10 million maximum guaranteed loan
- Can be no more than 50% of total eligible project costs.
- Any funds not used for Guaranteed Loans will revert back to grant funds.

# Guaranteed Loan Application Requirements

Guaranteed loans – Reduced application and documentation <b>4280.128</b>	<b>= or &lt; \$600,000</b>	
Guaranteed loans – Full application and documentation	<b>&gt; \$600,000</b>	
Guaranteed loan - <i>Equity evidence by borrowers</i>	<b>= or &lt; \$600,000</b> – not less than <b>15%</b> of eligible project costs <b>&gt; \$600,000</b> – not less than <b>25%</b> of eligible project costs	
Maximum percentage of guarantee	<b>= or &lt; \$600,000</b>	<b>85%</b>
	<b>&gt;\$600,000 &amp; = or &lt; \$5 million</b>	<b>80%</b>
	<b>&gt;\$5 million &amp; = or &lt; \$10 million</b>	<b>70%</b>
Guaranteed loan - Appraisal	<b>= or &lt; \$600,000</b> complete self-contained appraisal <b>&gt; \$600,000</b> complete summary appraisal	

# Send information to Michigan RD

Submit **2 copies** of the -

- ☐ grant and/or guaranteed loan application package, including
- ☐ score sheet, and
- ☐ technical report

To:

Rick Vanderbeek  
3001 Coolidge  
Suite 200  
East Lansing MI 48823  
517-324-5218

Paula Gromak  
1075 Cleaver Road  
P.O. Box 291  
Caro MI 48723  
989-673-7588

- *Note: There is no deadline for receipt of Guaranteed Loan Applications.*



# What happens after RD receives the application package and technical report?

- 1 copy is reviewed by MI RD staff
- The environmental assessment is completed by MI RD staff.
- 1 copy is reviewed by the National Renewable Energy Lab (NREL) in Colorado

# MI Rural Development Staff determines:

1. Is the Applicant eligible?
2. Is the Project eligible?
  - Can environmental assessment get done in time?
3. Is the Application complete?
4. Does the project meet funding requirements?
5. How does the application score?

# NREL determines:

Does the technical report pass (or fail) ?

NREL will provide the technical merit points  
on the score sheet.

**If the answer to this questions is yes –**

The score sheet and documentation is forwarded to the  
National Office for consideration of funding

# Important dates to remember:

- No deadline has been set for Fiscal Year 2007 energy grants. TBD.
- **Any time** – Due date for energy **guaranteed** loan applications.

# What has MI done?

- Anaerobic Digester – 3 projects \$1,374,088.
- Biomass – 8 projects \$217,079.
- Geothermal – 1 project \$38,945
- Small Wind – 3 projects \$23,055
- Energy Efficiency – 6 projects \$237,172
  - Light systems, energy curtains, grain dryer.
- **MI Total**
  - **\$1,890,339.00**
  - **21 Projects.**



# Grezeszak Farms

West Branch MI

RE

Outdoor  
wood stove  
to heat dairy  
milking  
parlor. A 75%  
savings over  
propane.





Curt  
Ratajczak  
Standish MI  
EE  
Grain Dryer  
Replacement



# Klammer Greenhouse

Kalamazoo MI

RE  
Corn  
Boiler





Majestic Farms

Lake Odessa MI

RE

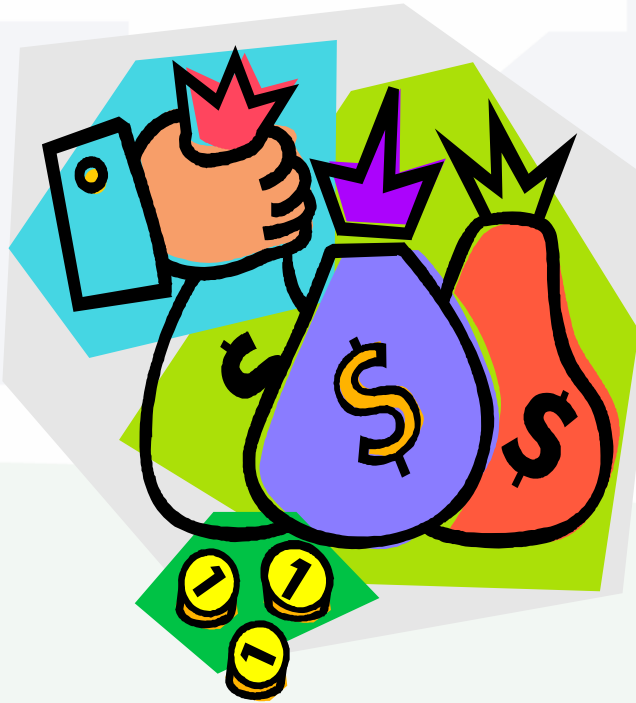
Small Wind



Scenic View Dairy – Anaerobic Digester - Fennville

RE

# FY 2007



- \$11.385 million Grant available in FY 2007
- \$176.5 million in Guaranteed Loans
- Nation-wide competition for funds
- **Plan your project now**

# What are your next steps?

- The Technical Report
  - Plan your project
  - Consult experts
  - Start making decisions
- If energy efficiency project, get an energy audit done
- Environmental information to the RD ASAP
- Ask for assistance in putting your grant application together.



# We encourage you to start planning your project now

- Selection is based on a nation-wide competition for funds. To qualify for consideration for funding, an application must meet the application requirements, technical requirements, and environmental requirements.
- Separate applications must be submitted for renewable energy system and energy efficiency improvement projects. Only one application per each type of project may be submitted per year.

# MI RD Staff

- Rick Vanderbeek: 3001 Coolidge Road, Suite 200, East Lansing MI 48823; 517-324-5218
- Paula Gromak: 1075 Cleaver Road, P.O. Box 291, Caro MI 48723; 989-673-7588 x 120.

